

Analysis of the Application of Article 23 Income Tax on Service Income and the Effectiveness of Withholding Tax Slip Collection in Service Provider Companies

1st Habsiah Ramadhani Putri1, 2nd Sofie Yunida Putri2
Universitas Pembangunan Nasional “Veteran” Jawa Timur, Surabaya, Indonesia
21013010062@student.upnjatim.ac.id , sofie.yunida.ak@upnjatim.ac.id

Abstract.

This study was conducted to determine whether the implementation of tax article 23 complied with tax law No. 36 of 2008 and to assess the effectiveness of the withholding tax slip from article 23. The research method used was qualitative descriptive. The data used included tax invoices, invoices, withholding tax slips, interview results, and field observation findings. The investigation results revealed that the company had implemented Article 23 Income Tax in accordance with tax law No. 36 of 2008, and the withholding tax slips from customers were consistent with the company's internal tax records, indicating no discrepancies between the recorded tax and the tax that should be paid.

Keywords: Article 23 Income Tax, Service Companies, Withholding Tax Slip.

I. Introduction

State development requires several components, one of which is sufficient and reliable sources of income (Yuliandri & Netrawati, 2024). Diverse sources of revenue can be used to finance various social programs and other important public services. In the State Revenue and Expenditure Budget (APBN), taxes are one of the largest contributions to domestic revenue (Sumampouw & Wangkar, 2022).

Taxes are legally regulated payments made by the people to the state (Ernita & Harahap, 2023). Income Tax is one of the state's revenues derived from taxes. Law No. 36 of 2008 establishes the latest regulations on Income Tax. One part of income tax is Article 23 Income Tax.

Article 23 Income Tax can be paid by event organizers, government agencies or domestic entities, permanent establishments, or other foreign company representatives (Herfina & Rahmawati, 2021). Income subject to Article 23 Income Tax includes dividends, interest, royalties, prizes, rent, and service fees. The applicable rates are 15% and 2% of gross income.

As reported on the Tax Supervisory Committee website, the largest tax revenue in 2023 comes from Non-Oil and Gas Income Tax, amounting to Rp 993.03 trillion. Non-oil and gas income tax is a tax imposed on income outside oil and gas, one of these is Article 23 income tax (Karno & Ismail, 2021).



Figure 1: Tax Revenue Receipts Jan to Dec 2023
(Source: komwasjak.go.id)

Vehicle and heavy equipment service is one of the tax objects of Article 23 Income Tax. Heavy equipment owners are subject to a tax called Heavy Equipment Tax (PAB) on the gross amount of rent and other income related to the use of heavy equipment. PAB consists of two types of taxes: (1) Value Added Tax

(VAT), imposed on heavy equipment owners at a rate of 11%; and (2) Income Tax (Article 23 and Article 21) (Zahra et al., 2024). Heavy equipment service companies are taxpayers who must comply with applicable tax regulations in Indonesia.

Taxpayer compliance can be improved with clear, accountable, and efficient tax administration (Zulma, 2020). This is necessary to maintain a good relationship with the Directorate General of Taxes (DGT) and avoid tax penalties. The submission of withholding evidence by customers is an important component in tax administration. Withholding evidence is used to show the deduction of taxes on a transaction. In reality, many companies face problems in receiving withholding evidence from customers. Some of these problems include many customers who are undisciplined and do not understand the importance of withholding evidence, so they often delay providing withholding evidence to the company.

Previous research conducted by Iqbal et al. (2022) showed that during the calculation and payment process of corporate income tax, companies have complied with Law Number 36 of 2008 concerning income tax. Research by Hardianti et al. (2020) showed that the administration system for collecting withholding evidence did not work well, resulting in differences in the received and actual income tax. Based on various existing phenomena, research was conducted with the research objective to determine the implementation of Article 23 Income Tax on service income carried out by companies, compliance with law 36 of 2008, and the effectiveness of receiving withholding evidence for Article 23 Income Tax.

II. Literature Review

Income

Income is one of the most important financial performance measures that indicates how well a company has operated in the past and will in the future (Kieso et al., 2020). Income is the result of sales of products or services obtained during the company's operations, thereby increasing the company's asset value and reducing liabilities related to the delivery of goods or services (Ningsih & Epi, 2021). Income is an important indicator that shows the financial health of a company and its growth prospects. Companies that want to improve their performance should focus on strategies to increase income from their operational activities.

Tax.

Tax is a mandatory contribution paid by individuals or entities to the state, which is enforced based on the Law for the welfare of the people (Undang-Undang No 28 Tahun 2007). Tax is a sum of money given by individuals or companies to the government, which is used to finance various government programs and activities aimed at improving the general welfare (Maryani & Prasetyani, 2023). Taxation involves many elements including Taxpayers, Tax Objects, and Tax Collectors.

Taxpayers as individuals or entities, including taxpayers, tax withholders, and tax collectors, have rights and obligations related to taxation regulations (Undang-Undang No 28 Tahun 2007). Tax objects are any additional economic abilities received or acquired by taxpayers in any form, both inside and outside Indonesia, which can be used for consumption or increasing the wealth of taxpayers (Undang-Undang No. 7 Tahun 2021). Tax Collectors (WaPu) are buyers who should pay VAT but instead collect VAT. This means that the buyer is not subject to VAT by the Taxable Entrepreneur (PKP) but instead collects it (Rahman et al., 2024).

Income Tax

Income Tax is imposed on income received or earned during a specific tax year or part of a tax year (Tanjung & Damayanti, 2023). Income Tax is a state tax imposed on taxpayers on the income they receive or earn during the specified tax year. Income tax is imposed on owners or recipients who earn income in Indonesia (Nainggolan et al., 2023). Income Tax is a tax imposed by the state on income received by individuals or entities located in the territory of Indonesia during a specific period.

Article 23 Income Tax.

Reported on the website of the Directorate General of Treasury (DJPb) define Article 23 Income Tax as the income tax deducted from domestic taxpayers' income and permanent establishments derived from capital, provision of services, gifts, and awards, in addition to the income tax already deducted under Article 21. Generally, this type of income occurs when there is a transaction between the party receiving the income (seller or service provider) and the income provider (Rizqi & Subandoro, 2022).

Article 23 income tax rate according to Law No 36 of 2008 concerning income tax is attached in table 1.

Table 1
 Article 23 Income Tax Rate

Rate 15%	Gross income for dividends, interest, royalties, and prizes, awards, bonuses, and so on, other than those already cut by income tax article 21.
Rate 2%	<ol style="list-style-type: none"> 1. Rent and other income relating to the use of property, except rent and other income relating to the use of taxable income. 2. Cost of engineering services, management services, construction services, services. consultants, and other services in addition to those subject to Article 21 income tax withholding

III. Research Method

This research uses a descriptive method with a qualitative approach. Yusanto (2020) defines the qualitative method as descriptive, with the main goal of obtaining comprehensive knowledge of the phenomenon to be studied in a normal situation, in which the researcher functions as the main tool to obtain the necessary data. This research was conducted in a company that provides vehicle and heavy equipment services. The data sources used were primary data consisting of interview records and field observation findings, and secondary data such as tax invoices, invoices, and deduction proofs. The data collection techniques used were interviews, observations, and documentation for a period of 5 (five) months. The researcher conducted interviews with 3 resource persons with an interest in the application of income tax article 23 in the company shown in table 2.

Table 2
 Informant

Classification	Name	Position
Informant 1	Mr. ANH	Supervisor
Informant 2	Mrs. AM	Cashier
Informant 3	Mrs. TS	Adm Service

The purpose of this research is to answer the main research question. The main research question is answered when the mini research questions are answered.

Table 3
 Main and Mini Research Question

Classification	Research Question
Main Research	How is the implementation of Article 23 Income Tax on service income carried out by companies?
Mini Research	<ol style="list-style-type: none"> 1. Is the implementation of Article 23 income tax on service income in accordance with Law No. 36 of 2008? 2. How effective is the acceptance of withholding tax Article 23 evidence?

IV. Results and Discussion

Result

“Is the implementation of Article 23 income tax on service income in accordance with Law No. 36 of 2008?”

“The implementation of Article 23 Income Tax on service income in our company is in accordance with Law No. 36 of 2008. We deduct 2% for gross income. In our company, all customers are required to have a Taxpayer Identification Number (NPWP), so the income tax rate is the same, which is 2% of the gross income.” (1st Informant)

Article 23 of Law No. 36 of 2008 concerning Income Tax regulates the tax obligations on income from various transactions, such as interest, royalties, gifts, or service receipts such as management, consulting, construction, and others. Service providers must comply with the payment of Article 23 Income Tax as companies that receive income from services. This means that the person paying to this company must bear a portion of the tax determined by the law by deducting a certain amount from the payment made to the company. The amount of tax deducted is regulated in the applicable legislation.

The applicable Article 23 Income Tax rate is 2% for customers who have a Taxpayer Identification Number (NPWP) and 4% for customers who do not have an NPWP, based on the gross income received. In this case, all customers of the company have an NPWP. Table 3 explains about service income and Article 23 Income Tax for the period January - December 2023.

Table 3
Income and Article 23 Income Tax in 2023

No	Month	Total Transaction	Gross Income	Article 23 Income Tax
1	January	168	Rp 18.018.800.000	Rp 360.376.000
2	February	131	Rp 17.264.616.267	Rp 345.292.325
3	March	155	Rp 16.539.384.749	Rp 330.787.695
4	April	141	Rp 5.742.693.157	Rp 114.853.863
5	May	139	Rp 452.400.000	Rp 9.048.000
6	June	156	Rp 547.150.000	Rp 10.943.000
7	July	192	Rp 1.104.875.000	Rp 22.097.500
8	August	162	Rp 2.964.886.955	Rp 59.297.739
9	September	237	Rp 13.219.223.129	Rp 264.384.462
10	October	234	Rp 43.927.479.251	Rp 878.549.585
11	November	186	Rp 946.044.723	Rp 18.920.894
12	December	175	Rp 1.711.961.263	Rp 34.239.225

Example Calculation of Article 23 Income Tax for January 2023

Article 23 Income Tax = Gross Income x 2%
Article 23 Income Tax in the company = Rp 18,018,800,000 x 2%
= Rp 360,376,000

"How effective is the receipt of Article 23 Income Tax withholding proof carried out by the service provider company?"

"We always strive for an effective process in receiving the withholding proof. However, sometimes there are obstacles such as customers not immediately sending the withholding proof, which hampers our administrative process. This issue actually lies with the internal customer because the staff receiving the invoice does not immediately provide the invoice as a reference for the preparation of the withholding proof to the respective PIC. To address this issue, we discuss it in monthly meetings and monitor it in SAP." (2nd informant)

The transaction process for service services in this company starts with the customer making a service request. Then, the customer will negotiate the given price. After that, the customer will make the payment and then the service admin will process the transaction through SAP and Salesforce. The Service Admin will send the invoice, PO, tax invoice, and SPB documents as payment reference documents for Article 23 income tax. The customer can choose to pay the tax independently or directly to the company. In this case, customers are divided into WaPu and Non-WaPu customers. For WaPu customers, they will pay their own taxes and then submit proof of payment for the tax to the company. Customers must submit proof of payment for Article 23 Income Tax after one month from the transaction date and a maximum of 3 months from the transaction date. After receiving the Proof of Payment for Article 23 income tax, the branch

company will send the Article 23 income tax data to the Head Office in Jakarta. For Non-WaPu customers, they usually pay in full and then the company will deduct Article 23 Income Tax from the received income. In the tax administration process for service income in this company, there are obstacles in collecting Withholding Tax Slip (BuPot) from customers. Customers do not immediately submit BuPot to the company. The smoothness of the company's administrative process can be disrupted due to the delay in submitting BuPot by customers. As a result, the time that should be allocated for tax administration processes such as data reconciliation and tax reporting is allocated to collecting BuPot from customers. This is caused by the invoice sent by the company not being directly received by the authorized PIC (Responsible Person), namely the tax staff. Instead, the invoice is received by other staff, who then do not immediately forward it to the respective PIC. As a result, the tax administration process at the customer is hindered, which hinders the immediate submission of BuPot to the company. Customers who do not submit BuPot will be blacklisted by the head office.

Discussion

Application of Article 23 Income Tax on service income in accordance with Law No. 36 of 2008

From the calculation of Article 23 Income Tax, the application in the company is in accordance with Law No. 36 of 2008. The income tax rate used by the company is correct, which is subject to a 2% rate on service transactions excluding VAT costs. This rate applies to customers who have a Taxpayer Identification Number (NPWP) and a 4% rate for customers who do not have an NPWP.

This is in line with the research conducted by Iqbal et.al (2022), which states that the company has fulfilled its tax obligations, including setting the appropriate income tax rate in accordance with Law Number 36 of 2008 concerning Income Tax.

Effectiveness of Withholding Tax Receipts

Although there are obstacles in the administrative process of Article 23 income tax Year 2023, the withholding tax receipts received from customers are in accordance with the company's internal tax records, so there is no difference between the recorded tax and the tax that should be paid. During the year 2023, no customers were blacklisted for not submitting the withholding tax receipts. If there are customers who are blacklisted, the company will write off the tax receivable transactions.

One of the internal controls carried out to ensure a smooth tax administration process is by monitoring the cost of using services and Article 23 Income Tax through SAP. In addition, the company regularly holds monthly meetings to discuss issues faced by the company. With this monitoring and monthly meetings, it is expected that the tax administration process in the company will be more effective and efficient.

The results of this study contradict the previous research conducted by Hardianti et.al (2020), which states that the company has not implemented a good tax administration system, resulting in the delay in collecting withholding tax receipts from customers, causing the recorded tax and the tax that should be paid to be inconsistent.

V. Conclusion

The company studied is a heavy equipment distribution company that has supporting business activities in the form of providing vehicle and heavy equipment service in Surabaya. In this case, The Company has implemented Article 23 Income Tax in accordance with Law No. 36 of 2008. The rate imposed is 2% of gross income for customers who have an NPWP and 100% higher for customers who do not have an NPWP. In this case, all of the company's customers have NPWP. Tax administration in the collection of withholding tax slips has been effective. In the process of collecting withholding slips, the company divides customer types into 2 categories, namely Wa-Pu and Non Wa-pu. Wa-Pu customers withhold Article 23 Income Tax independently and submit the withholding slip to the company. Non-Wapu customers pay in full then the company deducts income tax on payments received. Although there are some obstacles, such as the delay in submitting withholding tax slips by customers and invoices that are not directly received by the respective PIC, no customers have been blacklisted. The company has implemented several internal controls to overcome this, including monitoring through SAP and monthly AR meetings.

References

- Directorate General of Treasury. (2024). *Directorate General of Treasury*. <https://djpb.kemenkeu.go.id/portal/id/>
- Ernita & Harahap. (2023). Pengaruh Kesadaran Wajib Pajak Pengetahuan Pajak Dan Kualitas Layanan Fiskus Dan Sanksi Pajak Terhadap Kepatuhan Wajib Pajak Kedaraan Bermotor Di Kota Sungai Penuh. *JEMSI (Jurnal Ekonomi, Manajemen, Dan Akuntansi)*, 9(3), 916–929. <https://doi.org/10.35870/jemsi.v9i3.1210>
- Hardianti, R., & Koefrowi. (2020). Analisis Pajak Penghasilan Pasal 23 Atas Jasa Sewa Alat Berat Pada Pt. Sumatra Unggul Palembang. *Jurnal Ratri (Riset Akuntansi Tridinanti)*, 1(1), 80–88.
- Herfina & Rahmawati. (2021). Perhitungan Pemotongan Dan Pelaporan Pajak Penghasilan (Pph) Pasal 23 Terhadap Jasa Outsourcing Pada Pt. Karang Putih Sejati Padang. *Jurnal Akademi Akuntansi Indonesia Padang*, 1(1), 22–28. <https://doi.org/10.31933/jaaip.v1i1.259>
- Iqbal, J., Heriyani, H., & Oktarina, H. (2022). Analisis Perhitungan Dan Penyetoran PPh Pasal 23 Atas Jasa Sewa Pada PT. Perkebunan Nusantara VI. *Journal of Applied Accounting and Business*, 4(2), 57. <https://doi.org/10.37338/jaab.v4i2.233>
- Karno & Ismail. (2021). Pengaruh PPN dan PPh Terhadap Pendapatan Pajak Pusat. *Ekonomis*, 4 (2A), 57–71.
- Kieso, D. E., Weygrandt, J., & Warfield, T. D. (2020). *Chapter 18 Revenue*.
- Komisi Pengawas Perpajakan. (2024). *komwasjak*. <https://komwasjak.kemenkeu.go.id>
- Maryani & Prasetyani. (2023). Implementasi Withholding Tax Pajak Penghasilan (PPH) Pasal 23. *Jurnal Pajak Vokasi (JUPASI) Vol.*, 5(1), 53–60.
- Nainggolan, D., Fitrawansyah, & Herlina, L. (2023). Analisis Penerapan Akuntansi Pajak Pasal 23 Atas Jasa Sewa Pada PT Putra Tunggal Trans. *Innovative: Journal Of Social Science Research*, 3(4), 9992–9998.
- Ningsih & Epi. (2021). Analisis Pengaruh Biaya Operasional terhadap Pendapatan dan Dampaknya Terhadap Laba Bersih pada CV. Arif Jaya Motor Medan. *Jurnal Ekonomi Bisnis, Manajemen Dan Akuntansi (JEBMA)*, 1(1), 1–15. <https://doi.org/10.47709/jebma.v1i1.973>
- Rahman, R. T., Silisfuti, I., & Aifif, A. (2024). Gudang Jurnal Multidisiplin Ilmu Prosedur Pemungutan PPh Pasal 22 & 23 Di PT PLN Nusantara Power Up Paiton. *Gudang Jurnal Multidisiplin Ilmu*, 2, 238–243.
- Rizqi & Subandoro. (2022). Analisis Perhitungan dan Pelaporan PPh Pasal 23 atas Pendapatan Perusahaan Pada PT.Jagad Total Logistic Express. *Revenue*, 3(1), 15–21.
- Sumampouw & Wangkar. (2022). Evaluasi Pemotongan Penyetoran dan Pelaporan PPh 23 Atas Pendapatan Jasa Pada Cv. Palakat. *Jurnal LPPM Bidang EkoSosBudKum (Ekonomi,Sosial,Budaya, Dan Hukum)*, 5(2), 627–634. <https://ejournal.unsrat.ac.id/v3/index.php/lppmekososbudkum/article/view/39285>
- Tanjung & Damayanti. (2023). Analisis Tata Cara Pemotongan, Penyetoran, Dan Pelaporan Pajak Penghasilan Pasal 23 Atas Jasa Konsultan Pada Pt Telkom Indonesia, Tbk Sesuai Dengan Peraturan Undang-Undang Nomor 36 Tahun 2008. *Jurnal Akuntansi*, 15(1), 56–68. <https://doi.org/10.58457/akuntansi.v15i1.2325>
- Undang-Undang No. 7 Tahun 2021.*
- Undang-Undang No 28 Tahun 2007.*
- Undang-Undang No 36 Tahun 2008.*
- Yuliandri & Netrawati. (2024). Analisis Pembangunan Ekonomi Sektor Pariwisata di Desa Kuta Lombok. *Juremi: Jurnal Riset Ekonomi*, 3(6), 4–6.
- Yusanto, Y. (2020). Ragam Pendekatan Penelitian Kualitatif. *Journal of Scientific Communication (Jsc)*, 1(1), 1–13. <https://doi.org/10.31506/jsc.v1i1.7764>
- Zahra, H. F., Annisa, G. H., Sandy, N. C., Fathi, N. F., & Wijaya, S. (2024). Manajemen Perpajakan Di Industri Alat Berat. *Jurnalku*, 4(1), 89–100. <https://doi.org/10.54957/jurnalku.v4i1.745>
- Zulma, G. W. M. (2020). Pengaruh Pengetahuan Wajib Pajak, Administrasi Pajak, Tarif Pajak dan Sanksi Perpajakan terhadap Kepatuhan Pajak Pada Pelaku Usaha UMKM di Indonesia. *Ekonomis: Journal of Economics and Business*, 4(2), 288. <https://doi.org/10.33087/ekonomis.v4i2.170>